

OSKALOOSA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2006

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OSKALOOSA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2005 Election)		
David Meinert	President	2007
Don Patterson	Vice President	2005
David Dickinson	Board Member	2005
Anne Whitis	Board Member	2006
Brian Kieffer	Board Member	2006
Laurie Palmer	Board Member	2007
Bruce Smith	Board Member	2007

Board of Education (After September, 2005 Election)

David Meinert	President	2007
Don Patterson	Vice President	2008
Brian Kieffer	Board Member	2006*
Doug Swim	Board Member	2006
Anne Whitis	Board Member	2006
Laurie Palmer	Board Member	2007
Bruce Smith	Board Member	2007
John Grahek	Board Member	2008

* Resigned in June, 2006

School Officials

Dr. M. Carolyn McGaughey	Superintendent	2008
Jake Roberts	District Secretary/Treasurer	2006
Randy S. De Geest	Attorney	Indefinite



Independent Auditor's Report

To the Board of Education
Oskaloosa Community School District
Oskaloosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Oskaloosa Community School District, Oskaloosa, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Oskaloosa Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2006 on our consideration of Oskaloosa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oskaloosa Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Oskaloosa Community School District's annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year ended June 30 2006. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Oskaloosa Community School district implemented new reporting standards for the 2002/2003 fiscal year that involved significant changes in content and structure of the reports. Because of this change, the current reports can be more easily compared to the prior years. In future years, comparisons will become more meaningful and will go further in explaining the District's financial position and results of operations.

FINANCIAL HIGHLIGHTS

The District completed its first full school year following the construction of a new Elementary School Building, and the completion of major renovation and repair projects that included the High School facilities, and the replacement of boilers and hydronic piping. To finance these projects, the District issued capital loan notes in the amount of \$2,530,000 and Local Option Sales and Services Tax Revenue Bonds totaling \$5,760,000 in 2002/2003, Local Option Sales Tax Bonds in the amount of \$13,140,000 in 2003/2004, and Local Option Sales Tax Bonds in the amount of \$1,910,000 in 2005. No additional bond issues are being considered at this time.

General Fund revenues increased from \$18,575,986 in fiscal 2005 to \$19,438,620 in fiscal 2006, while General Fund expenditures increased from \$18,166,785 in fiscal 2005 to \$19,806,597 in fiscal 2006. This resulted in a decrease in the District's General fund balance from \$2,071,745 in fiscal 2005 to \$1,718,313 in fiscal 2006, a decrease of \$353,432.

The increase in revenues was attributable to an increase in property taxes, state funding and federal grants. The increase in expenditures was attributable to negotiated wage and benefit increases.

Interest income on investments for the General Fund for the last six fiscal years has been as follows: 2000/2001 - \$150,679, 2001/2002 - \$60,684, 2002/2003 - \$35,355, 2003/2004 - \$27,834.60 and 2004/2005 - \$65,690.00, 2005/2006 - \$215,439.64.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

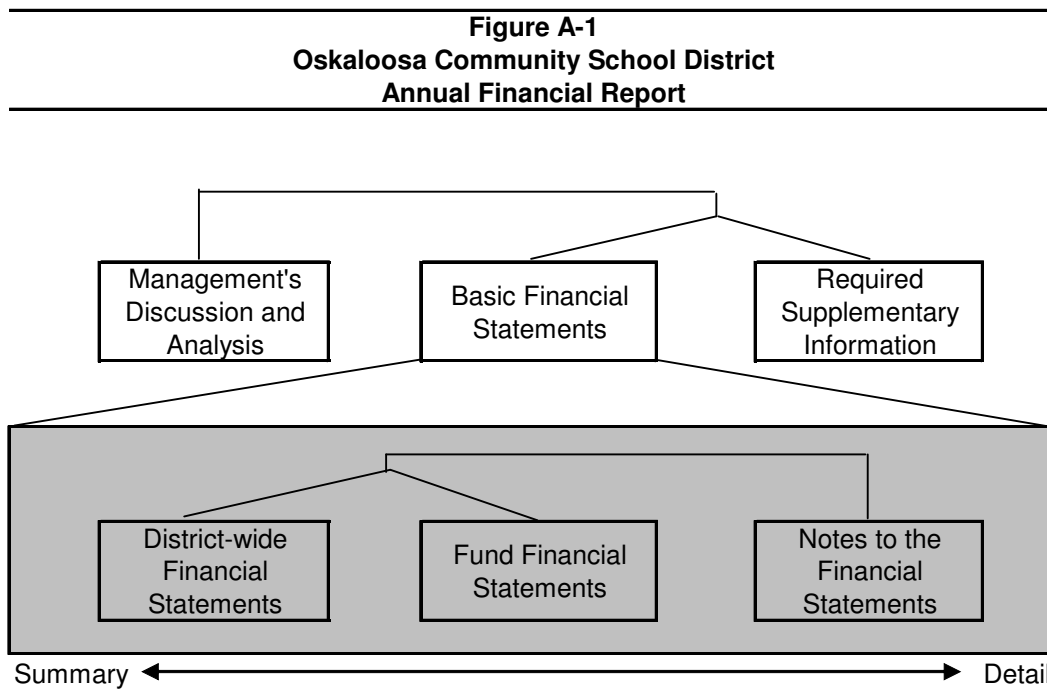


Figure A-2 summarizes the major features of the District's Financial Statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's food service program would be included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. Funds are accounting devices that District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental Funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service fund, Capital Projects Fund and the Permanent funds.

Proprietary Funds. Services for which the District charges a fee are generally reported in proprietary funds. These funds are reported in the same way as the Government-wide statements.

The Nutrition Fund is the only proprietary fund that the District maintains.

Fiduciary Funds. The District is the trustee or fiduciary for the assets that belong to others such as scholarship funds.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

This is the fourth year of implementation of the new reporting model for the District. For this reason, comparative condensed financial statements are presented in Figure A-3.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$ 15,580	19,726	19	(7)	15,599	19,719	-20.9%
Capital assets	31,047	32,067	263	291	31,310	32,358	-3.2%
Total assets	46,627	51,793	282	284	46,909	52,077	-9.9%
Long-term liabilities	20,400	22,152	-	-	20,400	22,152	-7.9%
Other liabilities	9,608	12,869	70	11	9,678	12,880	-24.9%
Total liabilities	30,008	35,021	70	11	30,078	35,032	-14.1%
Net assets:							
Invested in capital assets, net of related debt	15,670	15,653	263	291	15,933	15,944	-0.1%
Restricted	228	235	-	-	228	235	-3.0%
Unrestricted	721	884	(51)	(18)	670	866	-22.6%
Total net assets	\$ 16,619	16,772	212	273	16,831	17,045	-1.3%

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		
	Year ended June 30,		Year ended June 30,		Year ended June 30,		
	2006	2005	2006	2005	2006	2005	
Revenues:							
Program revenues:							
Charges for service	\$ 1,078	933	454	447	1,532	1,380	
Operating grants, contributions and restricted interest	2,355	2,209	403	413	2,758	2,622	
Capital grants, contributions and restricted interest	-	148	-	280	-	428	
General revenues:							
Property tax	7,504	7,303	-	-	7,504	7,303	
Local option sales and service tax	2,608	2,745	-	-	2,608	2,745	
Unrestricted state grants	9,347	9,148	-	-	9,347	9,148	
Unrestricted investment earnings	320	237	-	-	320	237	
Other	591	208	-	-	591	208	
Total revenues	23,803	22,931	857	1,140	24,660	24,071	
Program expenses:							
Governmental activities:							
Instruction	13,302	12,558	-	-	13,302	12,558	
Support services	7,048	5,861	-	-	7,048	5,861	
Non-instructional programs	-	-	918	935	918	935	
Other expenses	3,606	3,021	-	-	3,606	3,021	
Total expenses	23,956	21,440	918	935	24,874	22,375	
Change in net assets	\$ (153)	1,491	(61)	205	(214)	1,696	

Governmental Activities

The revenues and other financing sources for governmental activities were \$23,802,579 and expenses were \$23,955,798.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 13,302	10,647
Support services	7,048	6,979
Other expenses	3,606	2,896
Totals	<u>\$ 23,956</u>	<u>20,522</u>

- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,355,335.
- The net cost of governmental activities was financed with \$10,112,437 in local property tax and local option sales and services taxes, \$9,346,946 in unrestricted state grants and \$319,295 in interest on investments.
- The local option sales tax revenue was \$2,608,063.
- The revenues and expenses for the District's governmental activities decreased due to the completion of the construction projects. The continued financial strength of the District evidenced by the 8.8% solvency ratio is due to the control over the growth of expenses by the administration, and to the use of a substantial cash reserve levy. Expenditures for supplies and equipment were held at the previous year's levels.

Business Type Activities

Revenues of the District's business type activities were \$857,168 and expenses were \$918,314. The Nutrition fund comprises the only business-type activity for the District. Revenues included \$453,631 in charges for services, \$402,633 in state and federal grants and \$904 in interest on investments.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the Oskaloosa Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The district's governmental fund balances decreased a total of \$927,965 over the previous fiscal year. The individual fund balance changes were as follows:

	Beginning Balance	Increase	Ending Balance
General Fund	\$ 2,071,745	(353,432)	1,718,313
Debt Service	39,623	-	39,623
Capital Projects	5,326,774	(578,627)	4,748,147
Non-major Funds	(257,491)	4,094	(253,397)

BUDGETARY HIGHLIGHTS

	Final Budgeted Amounts	Total Actual
Receipts:		
Local sources	\$ 10,145,216	12,549,119
State sources	11,955,617	10,879,118
Federal sources	650,000	1,207,659
Total	<u>22,750,833</u>	<u>24,635,896</u>
Disbursements:		
Instruction	13,092,919	13,119,867
Support services	6,617,350	6,963,911
Non-instructional programs	862,300	853,607
Other expenditures	4,601,608	4,885,474
Total	<u>25,174,177</u>	<u>25,822,859</u>
Deficiency of receipts under disbursements	(2,423,344)	(1,186,963)
Other financing sources, net	-	<u>24,545</u>
Deficiency of receipts and other financing sources under disbursements	<u>\$ (2,423,344)</u>	(1,162,418)
Balance beginning of year		<u>8,624,878</u>
Balance end of year		<u><u>7,462,460</u></u>

The total receipts for the governmental and proprietary funds were greater than budgeted amounts due to unexpected funds from local sources, specifically open enrollment and special education tuition from other schools. Unexpected income from Medicaid Reimbursements provided greater than expected Federal funds. Actual expenditures were greater than budgeted amounts due to increase in salaries and benefits, and costs associated with special education students.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. It may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a cash basis. During the 2005/2006 fiscal year, the District amended its budget once to reflect increased expenditure estimates in three of the four budget categories.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2006 fiscal year, the District had invested in a broad range of capital assets including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administrative offices.

Figure A-6 shows total investment in capital assets net of accumulated depreciation.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 360	359	-	-	360	359	0.3%
Construction in progress	-	225	-	-	-	225	
Buildings	29,278	29,989	-	-	29,278	29,989	-2.4%
Improvements other than buildings	34	43	-	-	34	43	-20.9%
Furniture and equipment	1,375	1,451	263	291	1,638	1,742	-6.0%
Totals	<u>\$ 31,047</u>	<u>32,067</u>	<u>263</u>	<u>291</u>	<u>31,310</u>	<u>32,358</u>	<u>-3.2%</u>

Long-Term Debt

Figure A-7 outlines the composition of the total long-term debt amount of \$20,400,017 for the District as of June 30, 2006.

During fiscal year 2002, the District's voters approved the issuance of local option sales and services tax revenue bonds not to exceed \$20,000,000.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
Total		Total	
District		Change	
June 30,		June 30,	
2006	2005	2005-2006	
School infrastructure			
revenue bonds payable	\$ 7,280	7,960	-8.5%
Revenue bonds payable	10,905	11,635	-6.3%
Capital notes payable	1,940	2,145	-9.6%
Lease purchase contract	-	132	-100.0%
Compensated absences	50	50	0.0%
Early retirement	225	230	-2.2%
Totals	\$ 20,400	22,152	-7.9%

FACTORS BEARING ON THE DISTRICT'S FUTURE

A substantial part of the general fund revenues are determined by the Aid and Levy Worksheet that utilizes the District's certified enrollment to establish the combined district cost. The certified enrollment determined in October of 2006 indicated a decrease of nine students. The District's Administration will continue to monitor student enrollments as they relate to state and federal funding generated.

A substantial part of the general fund expenditures are wages and benefits. A majority of the district's employees are covered by State-mandated collective bargaining agreements. The final step in the negotiation process is binding arbitration. If the negotiation process progresses to this level, the outcome may produce wages and benefits in excess of available funding. If this happens, administration will be forced to reduce the expenditure budget with cuts in staff a likely target.

CONTACTS

For information regarding this report, contact Jake Roberts, Board Secretary, Oskaloosa Community School, 1800 North 3rd, Oskaloosa, Iowa 52757, telephone, 641-673-8345.

Basic Financial Statements

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 7,452,673	9,786	7,462,459
Receivables:			
Property tax:			
Delinquent	89,043	-	89,043
Succeeding year	7,254,730	-	7,254,730
Accrued interest	43,411	50	43,461
Due from other funds	70,000	-	70,000
Due from other governments	671,304	-	671,304
Inventories	-	9,673	9,673
Capital assets, net of accumulated depreciation	31,046,602	262,553	31,309,155
Total assets	46,627,763	282,062	46,909,825
Liabilities			
Accounts payable	136,566	89	136,655
Salaries and benefits payable	1,824,529	-	1,824,529
Due to other funds	-	70,000	70,000
Other payables	18,893	-	18,893
Accrued interest payable	373,588	-	373,588
Deferred revenue:			
Succeeding year property tax	7,254,730	-	7,254,730
Long-term liabilities:			
Portion due within one year:			
School infrastructure revenue bonds payable	835,000	-	835,000
Revenue bonds payable	750,000	-	750,000
Capital notes payable	210,000	-	210,000
Compensated absences	49,659	-	49,659
Early retirement	93,757	-	93,757
Portion due after one year:			
School infrastructure revenue bonds payable	6,445,000	-	6,445,000
Revenue bonds payable	10,155,000	-	10,155,000
Capital notes payable	1,730,000	-	1,730,000
Early retirement	131,601	-	131,601
Total liabilities	30,008,323	70,089	30,078,412
Net assets			
Invested in capital assets, net of related debt	15,669,749	262,553	15,932,302
Restricted for:			
Other special revenue purposes	228,100	-	228,100
Unrestricted	721,591	(50,580)	671,011
Total net assets	\$ 16,619,440	211,973	16,831,413

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

Functions/Programs	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 8,645,220	340,226	734,349
Special instruction	2,613,814	23,642	811,806
Other instruction	2,042,558	696,956	47,816
	13,301,592	1,060,824	1,593,971
Support Service:			
Student services	1,057,412	-	-
Instructional staff services	705,920	-	-
Administration services	1,960,256	-	-
Operating and maintenance of plant services	2,435,463	-	-
Transportation services	888,943	17,229	51,715
	7,047,994	17,229	51,715
Other expenditures:			
Facilities acquisition	1,370,328	-	-
Long-term debt interest	894,741	-	-
AEA flowthrough	709,649	-	709,649
Depreciation (unallocated)*	631,494	-	-
	3,606,212	-	709,649
Total governmental activities	23,955,798	1,078,053	2,355,335
Business type activities:			
Non-instructional programs:			
Nutrition services	918,314	453,631	402,633
	918,314	453,631	402,633
Total primary government	\$ 24,874,112	1,531,684	2,757,968

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Governmental Activities	Business type Activities	Total
(7,570,645)	-	(7,570,645)
(1,778,366)	-	(1,778,366)
(1,297,786)	-	(1,297,786)
(10,646,797)	-	(10,646,797)
(1,057,412)	-	(1,057,412)
(705,920)	-	(705,920)
(1,960,256)	-	(1,960,256)
(2,435,463)	-	(2,435,463)
(819,999)	-	(819,999)
(6,979,050)	-	(6,979,050)
(1,370,328)	-	(1,370,328)
(894,741)	-	(894,741)
-	-	-
(631,494)	-	(631,494)
(2,896,563)	-	(2,896,563)
(20,522,410)	-	(20,522,410)
-	(62,050)	(62,050)
-	(62,050)	(62,050)
(20,522,410)	(62,050)	(20,584,460)

Exhibit B

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Totals continued from previous pages	\$ 24,874,112	1,531,684	2,757,968
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Gifts to Oskaloosa Community School District			
Gain (loss) on sale of assets			
Total general revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
(20,522,410)	(62,050)	(20,584,460)
7,060,076	-	7,060,076
-	-	-
444,298	-	444,298
2,608,063	-	2,608,063
9,346,946	-	9,346,946
319,295	904	320,199
529,882	-	529,882
125,574	-	125,574
(64,943)	-	(64,943)
20,369,191	904	20,370,095
(153,219)	(61,146)	(214,365)
16,772,659	273,119	17,045,778
<u>\$ 16,619,440</u>	<u>211,973</u>	<u>16,831,413</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Debt Service	Non-major Special Revenue	Total
Assets					
Cash and pooled investments:	\$ 3,088,927	3,952,141	39,623	371,982	7,452,673
Receivables:					
Property tax:					
Current year delinquent	80,207	-	-	8,836	89,043
Succeeding year	6,453,628	-	-	801,102	7,254,730
Accrued interest:					
Other	37,684	3,780	-	1,947	43,411
Due from other funds	338,309	319,824	-	-	658,133
Due from other governments	169,195	502,109	-	-	671,304
Total assets	\$ 10,167,950	4,777,854	39,623	1,183,867	16,169,294
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 106,330	29,707	-	529	136,566
Salaries and benefits payable	1,824,529	-	-	-	1,824,529
Early retirement payable	46,257	-	-	47,500	93,757
Due to other funds	-	-	-	588,133	588,133
Other payables	18,893	-	-	-	18,893
Deferred revenue:					
Succeeding year property tax	6,453,628	-	-	801,102	7,254,730
Total liabilities	8,449,637	29,707	-	1,437,264	9,916,608
Fund balances:					
Unreserved	1,718,313	4,748,147	39,623	(253,397)	6,252,686
Total fund balances	1,718,313	4,748,147	39,623	(253,397)	6,252,686
Total liabilities and fund balances	\$ 10,167,950	4,777,854	39,623	1,183,867	16,169,294

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

Total fund balances of governmental funds (Exhibit C)	\$ 6,252,686
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	31,046,602
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(373,588)
--	-----------

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(20,306,260)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>\$ 16,619,440</u></u>
--	-----------------------------

See notes to financial statements.

Exhibit E

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2006

	General	Capital Projects	Debt Service	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 6,759,511	2,608,063	-	744,863	10,112,437
Tuition	299,511	-	-	-	299,511
Other	672,759	393,133	-	682,843	1,748,735
State sources	10,877,949	-	-	-	10,877,949
Federal sources	828,890	-	-	-	828,890
Total revenues	19,438,620	3,001,196	-	1,427,706	23,867,522
Expenditures:					
Current:					
Instruction:					
Regular instruction	8,573,365	-	-	55,551	8,628,916
Special instruction	2,563,071	-	-	-	2,563,071
Other instruction	1,397,154	-	-	645,404	2,042,558
	12,533,590	-	-	700,955	13,234,545
Support services:					
Student services	1,057,412	-	-	-	1,057,412
Instructional staff services	705,920	-	-	-	705,920
Administration services	1,928,898	-	-	-	1,928,898
Operation and maintenance of plant services	2,158,881	-	-	239,238	2,398,119
Transportation services	712,247	-	-	161,315	873,562
	6,563,358	-	-	400,553	6,963,911
Other expenditures:					
Facilities acquisition	-	1,333,415	-	38,391	1,371,806
Long-term debt:					
Principal	-	-	1,615,000	-	1,615,000
Interest and fiscal charges	-	-	925,121	-	925,121
AEA flowthrough	709,649	-	-	-	709,649
	709,649	1,333,415	2,540,121	38,391	4,621,576
Total expenditures	19,806,597	1,333,415	2,540,121	1,139,899	24,820,032
Excess (deficiency) of revenues over (under) expenditures	(367,977)	1,667,781	(2,540,121)	287,807	(952,510)
Other financing sources (uses):					
Operating transfers in (out)	-	(2,246,408)	2,540,121	(293,713)	-
Sale of equipment	14,545	-	-	10,000	24,545
Total other financing sources (uses)	14,545	(2,246,408)	2,540,121	(283,713)	24,545
Net change in fund balances	(353,432)	(578,627)	-	4,094	(927,965)
Fund balances beginning of year, as restated	2,071,745	5,326,774	39,623	(257,491)	7,180,651
Fund balances end of year	\$ 1,718,313	4,748,147	39,623	(253,397)	6,252,686

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (927,965)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 73,718	
Less loss on retirement of capital assets	(89,488)	
Depreciation expense	<u>(1,004,186)</u>	(1,019,956)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

1,615,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

30,380

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Lease purchase agreement	\$ 131,671	
Compensated absences	379	
Early retirement	17,272	<u>149,322</u>

Change in net assets of governmental activities (Exhibit B)

\$ (153,219)

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	Non-major Enterprise Fund
Assets	
Current assets:	
Cash and investments	\$ 9,786
Accrued interest	50
Inventories	9,673
Capital assets, net of accumulated depreciation	262,553
Total assets	<u>282,062</u>
Liabilities	
Current liabilities:	
Accounts payable	89
Due to other funds	70,000
Total current liabilities	<u>70,089</u>
Net Assets	
Invested in capital assets, net of related debt	262,553
Unrestricted	<u>(50,580)</u>
Total net assets	<u><u>\$ 211,973</u></u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year ended June 30, 2006

	<u>Non-major Enterprise Fund</u>
Operating revenue:	
Local sources:	
Charges for services	<u>\$ 453,631</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	285,153
Benefits	118,345
Purchased services	4,111
Supplies	482,221
Depreciation	28,484
Total operating expenses	<u>918,314</u>
Operating loss	<u>(464,683)</u>
Non-operating revenue:	
Local sources	904
State sources	10,144
Federal sources	392,489
Total non-operating revenue	<u>403,537</u>
Change in net assets	(61,146)
Net assets beginning of year	<u>273,119</u>
Net assets end of year	<u><u>\$ 211,973</u></u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2006

	Non-major Enterprise Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 453,631
Cash payments to employees for services	(403,498)
Cash payments to suppliers for goods or services	(450,109)
Net cash used in operating activities	<u>(399,976)</u>
Cash flows from non-capital financing activities:	
State grants received	10,144
Federal grants received	353,330
Net cash provided by non-capital financing activities	<u>363,474</u>
Cash flows from investing activities:	
Interest on investments	<u>869</u>
Net decrease in cash and cash equivalents	(35,633)
Cash and cash equivalents at beginning of year	<u>45,419</u>
Cash and cash equivalents at end of year	<u><u>\$ 9,786</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (464,683)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	39,159
Depreciation	28,484
Decrease in inventories	8,156
(Decrease) in accounts payable	(11,092)
Net cash used by operating activities	<u><u>\$ (399,976)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 9,786
Cash and cash equivalents at year end	<u><u>\$ 9,786</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$39,159.

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2006

	Private Purpose Trust Athletic Endowment
Assets	
Cash and investments	\$ 2,003
Total assets	2,003
Net assets	\$ 2,003

See notes to financial statements.

Exhibit K

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year ended June 30, 2006

	Private Purpose Trust Athletic Endowment
Additions:	
Local sources:	
Interest on investments	\$ 18
Change in net assets	18
Net assets beginning of year	1,985
Net assets end of year	\$ 2,003

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(1) **Summary of Significant Accounting Policies**

Oskaloosa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Oskaloosa, Iowa and the predominate agricultural territory in Mahaska county. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Oskaloosa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Oskaloosa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2006

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through athletic endowments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	45 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the instruction, support services and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

At June 30, 2006, the District had investments as follows:

	Total
MBIA Money Market Fund	\$ 1,796,500
Goldman Sachs Financial Square Treasury Obligations Fund	1,379,439
United States Treasury Notes	212,156
Iowa Schools Joint Investment Trust, Diversified Portfolio	31,135
	<u>\$ 3,419,230</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust, MBIA Money Market Fund and Goldman Sachs Financial Square Treasury Obligations Fund were all rated Aaa by Moody's Investors Service. The investment in the MBIA Money Market Fund is also rated AAA by Standard and Poor's Investor's Service. The investment in the United States treasury notes is not subject to credit risk rating.

(3) Interfund Receivables/Payables

The amounts of interfund receivables and payables are as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Management Fund	\$ 263,809
Capital Projects	Physical Plant and Equipment Levy	319,824
General	Special Revenue, Physical Plant and Equipment Levy	4,500
General	Enterprise, School Nutrition	70,000
		<u>\$ 658,133</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 2,246,408
	Special Revenue, Physical Plant and Equipment Levy	293,713
		<u>\$ 2,540,121</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,751	1,478	-	360,229
Construction in progress	224,561	-	224,561	-
Total capital assets not being depreciated	583,312	1,478	224,561	360,229
Capital assets being depreciated:				
Buildings	35,467,056	-	346,894	35,120,162
Improvements other than buildings	297,190	-	-	297,190
Furniture and equipment	6,419,595	296,801	128,266	6,588,130
Total capital assets being depreciated	42,183,841	296,801	475,160	42,005,482
Less accumulated depreciation for:				
Buildings	5,478,603	622,013	257,663	5,842,953
Improvements other than buildings	253,698	9,481	-	263,179
Furniture and equipment	4,968,294	372,692	128,009	5,212,977
Total accumulated depreciation	10,700,595	1,004,186	385,672	11,319,109
Total capital assets being depreciated, net	31,483,246	(707,385)	89,488	30,686,373
Governmental activities capital assets, net	\$ 32,066,558	(705,907)	314,049	31,046,602
Business type activities:				
Furniture and equipment	\$ 341,817	-	-	341,817
Less accumulated depreciation	50,780	28,484	-	79,264
Business type activities capital assets, net	\$ 291,037	(28,484)	-	262,553
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	165,626
Special				50,743
Support services:				
Administration				31,358
Operation and maintenance of plant				37,344
Transportation				87,621
				372,692
Unallocated depreciation				631,494
Total governmental activities depreciation expense			\$	1,004,186
Business type activities:				
Food services			\$	28,484

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 229,826	84,250	88,718	225,358	93,757
Compensated absences	50,038	49,659	50,038	49,659	49,659
Capital loan notes	2,145,000	-	205,000	1,940,000	210,000
Local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds	19,595,000	-	1,410,000	18,185,000	1,585,000
Lease purchase agreement	131,671	-	131,671	-	-
	<u>\$ 22,151,535</u>	<u>133,909</u>	<u>1,885,427</u>	<u>20,400,017</u>	<u>1,938,416</u>

Capital Loan Notes

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.70%	\$ 210,000	81,648	291,648
2008	3.90%	220,000	73,878	293,878
2009	4.00%	225,000	65,298	290,298
2010	4.10%	235,000	56,298	291,298
2011	4.25%	245,000	46,662	291,662
2012	4.40%	255,000	36,250	291,250
2013	4.50%	270,000	25,030	295,030
2014	4.60%	280,000	12,880	292,880
Total		<u>\$ 1,940,000</u>	<u>397,944</u>	<u>2,337,944</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Local Option Sales and Services Tax Revenue Bonds

Details of the District's local option sales and services tax revenue bonded indebtedness are as follows:

Issue Dated September 1, 2002 Series 2002A-422B				Issue Dated September 1, 2002 Subordinate Series 2002B-422B		
Year ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	4.050%	\$ -	144,506	3.375	\$ 150,000	99,390
2008	4.050%	-	144,506	3.750	155,000	94,328
2009	4.050%	-	144,506	4.125	165,000	88,516
2010	4.050%	-	144,506	4.500	170,000	81,708
2011	4.050%	-	144,506	4.625	180,000	74,058
2012	4.050%	-	144,506	4.750	190,000	65,734
2013	4.050%	175,000	144,506	7.875	205,000	56,708
2014	4.200%	750,000	129,824	5.000	210,000	46,716
2015	4.250%	780,000	98,290	5.000	225,000	36,216
2016	4.375%	820,000	64,813	5.150	235,000	24,966
2017	4.500%	860,000	28,756	5.250	245,000	12,862
	Subtotal	3,385,000	1,333,225		2,130,000	681,202

Issue Dated July 1, 2003 Series 2003A-422B				Issue Dated June 1, 2005 Series 2005A-423B		
Year ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	2.500%	\$ 600,000	131,963	4.250	\$ -	41,863
2008	3.000%	615,000	116,900	4.250	985,000	41,863
2009	3.000%	630,000	99,138	-	-	-
2010	3.125%	650,000	80,088	-	-	-
2011	3.375%	670,000	59,741	-	-	-
2012	3.500%	695,000	37,378	-	-	-
2013	3.625%	545,000	13,006	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
	Subtotal	4,405,000	538,214		985,000	83,726

Total		
Year Ending June 30,	Principal	Interest
2007	\$ 750,000	417,722
2008	1,755,000	397,597
2009	795,000	332,160
2010	820,000	306,302
2011	850,000	278,305
2012	885,000	247,618
2013	925,000	214,220
2014	960,000	176,540
2015	1,005,000	134,506
2016	1,055,000	89,779
2017	1,105,000	41,618
	<u>\$ 10,905,000</u>	<u>2,636,367</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

School Infrastructure Local Option Sales and Services Tax Revenue Bonds

Details of the District's school infrastructure local option sales and services tax revenue bonded indebtedness are as follows:

Issue Dated August 1, 2003 Series 2003B-422E				Issue Dated August 1, 2003 Subordinate Series 2003C-422E		
Year ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	6.00%	\$ 725,000	238,195	5.50	\$ 110,000	77,825
2008	6.00-4.30%	765,000	194,095	5.50	120,000	71,775
2009	4.45-4.60%	805,000	157,240	5.50	120,000	65,175
2010	4.70-4.80%	840,000	119,840	5.50	130,000	58,575
2011	4.90-5.00%	880,000	79,030	5.50	140,000	51,425
2012	5.00%	925,000	34,750	5.50	795,000	43,725
	Subtotal	4,940,000	823,150		1,415,000	368,500

Issue Dated June 1, 2005 Series 2005A-423E				Total	
Year ending June 30,	Interest Rates	Principal	Interest	Principal	Interest
2007	4.25%	\$ -	39,313	\$ 835,000	355,333
2008	4.25%	925,000	39,313	1,810,000	305,183
2009	0.00%	-	-	925,000	222,415
2010	0.00%	-	-	970,000	178,415
2011	0.00%	-	-	1,020,000	130,455
2012	0.00%	-	-	1,720,000	78,475
	Subtotal	925,000	78,626	\$ 7,280,000	1,270,276

The local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds include the following provisions:

- a) \$2,129,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$657,408, \$624,237, and \$608,723, respectively, equal to the required contributions for each year.

(8) Termination Benefits

The District offers a voluntary early retirement plan for its certified employees, administrators, nurses and directors. Eligible employees must be between ages fifty-five and sixty-five and employees must have completed twenty years of continuous service to the District or fifteen years with the District and then may add one half the years of service with another District (to a maximum of five years) to meet the twenty year requirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is a flat dollar lump sum payment based upon the years of service the employee had as of the retirement year. The early retiree will also be eligible for monthly insurance premium benefits up to a maximum \$150 per month. This benefit will be discontinued when the retirees have been retired for nine years, if the retiree becomes eligible for Medicare, or when the retiree reaches age 65, whichever occurs first. Early retirement benefits paid during the year ended June 30, 2006, totaled \$88,718.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$709,649 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Financial Condition

The non-major funds Special Revenue Fund, Management Levy and Special Revenue Fund, Physical Plant and Equipment Levy, had deficit undesignated, unreserved fund balances at June 30, 2006 of \$199,813 and \$281,684 respectively. In addition, the Special Revenue Fund, Activity Fund had several individual account deficit balances.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(12) Restatements

The beginning fund balances of the General Fund and the Special Revenue Fund, Management Levy have been adjusted down \$38,453 and \$42,500 respectively to adjust for the prior year-end amount of the current portion of early retirement.

Required Supplementary Information

OSKALOOSA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2006

	Governmental Fund Types- Actual	Proprietary Fund Type- Actual
Revenues:		
Local sources	\$ 12,094,619	454,500
Intermediate sources	-	-
State sources	10,868,974	10,144
Federal sources	854,329	353,330
Total revenues	<u>23,817,921</u>	<u>817,974</u>
Expenditures:		
Instruction	13,119,867	-
Support services	6,963,911	-
Noninstructional programs	-	853,607
Other expenditures	4,885,474	-
Total expenditures	<u>24,969,252</u>	<u>853,607</u>
Excess (deficiency) of revenues over (under) expenditures	(1,151,331)	(35,633)
Other financing sources, net	<u>24,545</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,126,786)	(35,633)
Balances beginning of year	<u>8,579,459</u>	<u>45,419</u>
Balances end of year	<u><u>\$ 7,452,673</u></u>	<u><u>9,786</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Original	Final	
12,549,119	10,145,216	10,145,216	2,403,903
-	-	-	-
10,879,118	11,955,617	11,955,617	(1,076,499)
1,207,659	650,000	650,000	557,659
24,635,895	22,750,833	22,750,833	1,885,062
13,119,867	12,442,915	13,092,915	(26,952)
6,963,911	5,817,350	6,617,350	(346,561)
853,607	762,300	862,300	8,693
4,885,474	4,601,608	4,601,608	(283,866)
25,822,859	23,624,173	25,174,173	(648,686)
(1,186,964)	(873,340)	(2,423,340)	1,236,376
24,545	-	-	24,545
(1,162,419)	(873,340)	(2,423,340)	1,260,921
8,624,878	4,103,779	4,103,779	4,521,099
7,462,459	3,230,439	1,680,439	5,782,020

OSKALOOSA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2006

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 23,817,921	49,601	23,867,522
Expenditures	24,969,252	(149,220)	24,820,032
Net	(1,151,331)	198,821	(952,510)
Other financing sources	24,545	-	24,545
Beginning fund balances	8,579,459	(1,398,808)	7,180,651
Ending fund balances	<u>\$ 7,452,673</u>	<u>(1,199,987)</u>	<u>6,252,686</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 817,974	39,194	857,168
Expenses	853,607	64,707	918,314
Net	(35,633)	(25,513)	(61,146)
Beginning net assets	45,419	156,987	273,119
Ending net assets	<u>\$ 9,786</u>	<u>131,474</u>	<u>211,973</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,550,000.

During the year ended June 30, 2006, disbursements in the instruction, support services and other expenditures functions exceeded the amounts budgeted.

Other Supplementary Information

OSKALOOSA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 112,432	228,415	31,135	371,982
Receivables:				
Property tax:				
Current year delinquent	3,564	-	5,272	8,836
Succeeding year	349,999	-	451,103	801,102
Accrued interest	-	214	1,733	1,947
Total assets	\$ 465,995	228,629	489,243	1,183,867
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	529	-	529
Early retirement payable	47,500	-	-	47,500
Interfund payable	268,309	-	319,824	588,133
Deferred revenue:				
Succeeding year property tax	349,999	-	451,103	801,102
Total liabilities	665,808	529	770,927	1,437,264
Fund equity:				
Unreserved, undesignated fund balance	(199,813)	228,100	(281,684)	(253,397)
Total liabilities and fund equity	\$ 465,995	228,629	489,243	1,183,867

See accompanying independent auditor's report.

Schedule 2

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS
 Year ended June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 300,565	-	444,298	744,863
Other	17,400	638,682	26,761	682,843
Total revenues	317,965	638,682	471,059	1,427,706
Expenditures:				
Current:				
Instruction:				
Regular instruction	55,551	-	-	55,551
Other instruction	-	645,404	-	645,404
Support Services:				
Operation and maintenance of plant services	239,238	-	-	239,238
Transportation services	-	-	161,315	161,315
Other expenditures:				
Facilities acquisition	-	-	38,391	38,391
Long term debt:				
Total expenditures	294,789	645,404	199,706	1,139,899
Excess (deficiency) of revenues over (under) expenditures	23,176	(6,722)	271,353	287,807
Other financing sources (uses)				
Sale of real property	-	-	10,000	10,000
Interfund transfers out	-	-	(293,713)	(293,713)
Total other financing uses	-	-	(283,713)	(283,713)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	23,176	(6,722)	(12,360)	4,094
Fund balance beginning of year, as restated	(222,989)	234,822	(269,324)	(257,491)
Fund balance end of year	\$ (199,813)	228,100	(281,684)	(253,397)

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Alternative School	\$ 365	560	679	246
Junior High At Risk Fund Raiser	1,350	-	-	1,350
Senior High Cross Country	1,645	740	570	1,815
Senior High Drama	8,133	7,909	10,632	5,410
Senior High Vocal Spec Events	894	1,402	1,601	695
Senior High Band Spec Events	6,046	59,241	61,880	3,407
Special Girls Track	4,681	2,100	2,513	4,268
Swimming B/G	(5)	5	-	-
Boys Basketball	15,206	23,527	26,363	12,370
Football	23,506	51,700	61,729	13,477
Boys Soccer	2,515	1,057	1,534	2,038
Baseball	(305)	9,390	7,854	1,231
Boys Track	2,680	3,112	3,470	2,322
Boys Tennis	(186)	1,014	1,456	(628)
Boys Golf	205	1,044	1,299	(50)
Wrestling	5,200	15,236	14,006	6,430
Girls Basketball	13,292	9,308	10,560	12,040
Girls Volleyball	4,324	9,164	6,861	6,627
Girls Soccer	66	2,224	2,185	105
Girls Softball	(94)	11,506	8,930	2,482
Girls Track	2,634	1,611	5,909	(1,664)
Girls Tennis	(286)	3,205	2,173	746
Girls Golf	1,174	180	429	925
Dance and Drill	370	702	409	663
T U G Special Account	(138)	138	-	-
Senior High Annual	19,039	12,500	28,023	3,516
Junior High Activity Tickets	520	-	-	520
Senior High Thespians	174	2,871	2,525	520
Senior High Pep Club	1,223	1,273	724	1,772
Senior High Powder Puff Football	(392)	392	-	-
Senior High Football Calendar	580	14,224	13,471	1,333
Senior High Student Council	309	28,740	23,500	5,549
Senior High Business Ed Part	(98)	98	-	-
Senior High Special Baseball	4,846	5,522	4,005	6,363
Oskaloosa Basketball Camp	1,990	1,897	3,150	737
Senior High Special Wrestling	2,257	4,303	6,686	(126)
Pepsi Rebate	5,670	15,000	15,000	5,670
Junior High Newspaper	52	-	-	52
Middle School Orchestra	523	788	510	801
Senior High Athletics	3,537	900	2,979	1,458
Senior High Band Repair Spec Events	(121)	2,551	2,430	-
Senior High Orchestra Repair	1,944	2,448	1,601	2,791
Senior High FFA	1,869	30,012	28,082	3,799
Senior High Forensics	596	-	-	596

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Joe Gray Penmanship Award	453	500	496	457
Senior High The O	1,138	562	877	823
Senior High O Club	13,489	46,043	48,755	10,777
Senior High Orchestra Club	(296)	296	-	-
Sophomore Class	261	104	-	365
Junior Class	1,323	121	29	1,415
Senior Class	378	99	468	9
Storybook Players	1,873	2,011	1,884	2,000
Senior High Academic Decathlon	(596)	596	-	-
Senior High World of Work	1,437	808	737	1,508
Senior High Project Write	965	-	-	965
Senior High Special Track	898	1,851	996	1,753
Senior High Work Program	58	287	345	-
Business M.O.C.	(1,056)	1,056	-	-
Senior High Spec Girls Basketball	761	-	389	372
Special Softball	6,399	8,891	7,802	7,488
Senior High Volleyball Camp	4,272	5,749	5,984	4,037
Senior High Choir Robes	19	265	-	284
Middle School Spec Activity Fund Raiser	6,410	32,913	35,359	3,964
Subscriptions Special Pub	10	-	-	10
Biology Lab	19	-	19	-
Science/Chem Lab	(354)	354	-	-
Biology Field Trips	24	-	-	24
Special Events Change	358	1,784	1,500	642
Junior High Special Projects	(134)	-	-	(134)
Interest	5,607	6,861	8,196	4,272
Jaycette Fund	(2)	2	-	-
Elementary Band	518	4,384	3,928	974
Middle School Science	106	-	-	106
Middle School Band Special Event	2,898	7,949	7,751	3,096
Middle School Band Uniforms	1,283	3,106	2,234	2,155
Middle School Annual	1,272	2,294	3,283	283
Senior High Activity Tickets	137	7,750	7,712	175
Senior High General Adm	(2,487)	29,794	18,991	8,316
Middle School Athletics	(4,909)	20,078	11,216	3,953
Middle School Student Council	988	2,371	2,721	638
Middle School Pep Club	2,551	-	-	2,551
Middle School Vocal Special Events	596	522	559	559
Middle School Orchestra Special Events	244	2,392	2,416	220
Middle School Special Events Band Repair	110	-	-	110
Senior High Home Fees	1,671	2,106	1,364	2,413
Athletic Adm Senior High	595	-	205	390
Athletic Pop Fund	9,953	16,409	15,123	11,239
S.E.A.K. Club	21	-	-	21
Senior High Snack Machines	8,256	6,455	6,601	8,110
Senior High Pop Fund	2,425	21,128	20,689	2,864
Industrial Tech Module	80	-	-	80
Band Special Fund Raiser	1,890	-	-	1,890

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
OHS Store	825	-	-	825
Student Council Sign	453	780	780	453
Middle School Peer Helpers	221	4,297	3,646	872
Senior High At Risk	-	1,800	670	1,130
FFA Vending	599	8,785	7,066	2,318
Freshman Class	56	307	-	363
Elementary	25,528	26,318	35,584	16,262
Life Skills MD Secondary	2,875	-	1,946	929
Eisenhower Grant	(4,295)	4,295	-	-
Senior High Life Skills	-	221	221	-
Middle School General Adm	804	9,312	6,902	3,214
Middle School At Risk Fund Raiser	-	3,136	4,232	(1,096)
Senior High Special Education	(1,946)	1,946	-	-
	<u>\$ 234,822</u>	<u>638,682</u>	<u>645,404</u>	<u>228,100</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2006	2005	2004	2003	2002
Revenues:					
Local sources:					
Local tax	\$ 10,112,437	10,042,855	9,465,204	8,385,368	6,465,860
Tuition	299,511	326,404	444,713	283,540	279,779
Other	1,748,735	1,130,049	1,041,230	960,806	1,011,201
Intermediate sources	-	-	-	33,700	4,015
State sources	10,877,949	10,495,514	10,315,329	11,309,707	10,346,601
Federal sources	828,890	861,630	925,182	636,812	959,834
Total	<u>\$ 23,867,522</u>	<u>22,856,452</u>	<u>22,191,658</u>	<u>21,609,933</u>	<u>19,067,290</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 8,628,916	8,383,117	8,208,263	8,109,955	8,199,175
Special instruction	2,563,071	2,565,959	2,493,156	2,123,023	2,078,513
Other instruction	2,042,558	1,466,170	1,554,908	1,538,660	1,477,561
Support services:					
Student services	1,057,412	969,415	950,767	914,028	854,094
Instructional staff services	705,920	766,037	450,061	441,450	492,378
Administration services	1,928,898	1,589,518	1,454,979	1,536,750	1,501,823
Operation and maintenance of plant services	2,398,119	1,900,009	1,720,436	1,586,826	1,554,724
Transportation services	873,562	658,792	566,650	511,112	600,102
Central and other support services	-	-	125,895	91,032	-
Other expenditures:					
Facilities acquisition	1,371,806	6,316,892	14,323,925	7,653,437	1,189,916
Long-term debt:					
Principal	1,615,000	1,315,000	670,000	-	-
Interest and other charges	925,121	854,809	611,723	200,904	-
AEA flowthrough	709,649	694,480	703,926	744,979	746,909
Total	<u>\$ 24,820,032</u>	<u>27,480,198</u>	<u>33,834,689</u>	<u>25,452,156</u>	<u>18,695,195</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY 06	<u>\$ 39,159</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 06	56,120
National School Lunch Program	10.555	FY 06	297,211
			<u>353,331</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 06	<u>330,926</u>
Vocational Education - Basic Grants to States	84.048	FY 06	<u>36,754</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 06	<u>13,704</u>
State Grants for Innovative Programs	84.298	FY 06	<u>10,065</u>
Improving Teacher Quality State Grants	84.367	FY 06	<u>130,989</u>
Grants for State Assessments and Related Activities	84.369	FY 06	<u>14,112</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 06	<u>141,091</u>
Total			<u><u>\$ 1,070,131</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Oskaloosa Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Oskaloosa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Oskaloosa Community School District, Oskaloosa, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oskaloosa Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Oskaloosa Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Oskaloosa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 13, 2006

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Oskaloosa Community School District:

Compliance

We have audited the compliance of Oskaloosa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Oskaloosa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Oskaloosa Community School District's management. Our responsibility is to express an opinion on Oskaloosa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oskaloosa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oskaloosa Community School District's compliance with those requirements.

In our opinion, Oskaloosa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Oskaloosa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Oskaloosa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted no matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Oskaloosa Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving the internal control and its operation that we consider to be a material weakness as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Oskaloosa Community School District and other parties to whom Oskaloosa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 13, 2006

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any reportable conditions in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Oskaloosa Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

II-A-06 Financial Condition – The Student Activity Fund had several deficit accounts at June 30, 2006. In addition, the non-major funds Special Revenue Fund, Management Levy and Special Revenue Fund, Physical Plant and Equipment Levy had unreserved, undesignated deficit balances of \$199,813 and \$281,684 respectively, at June 30, 2006.

Recommendation – The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response – We are monitoring these situations. We are currently analyzing alternatives to reverse these deficit balances. We must also note that the overall fund balance in the Student Activity Fund is positive.

Conclusion – Response accepted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2006

- II-B-06 Coding Errors – We noted that the District made several coding errors on receipts and disbursements. These coding errors cause difficulty in tracing specific types of revenues and expenditures through the District's records. This does not allow the tracing of grant specific revenues and expenditures through the District's records.

Recommendation – The District should be more careful in coding receipts and disbursements.

Response – We will code all receipts and disbursements more carefully in the future.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

No matters were noted.

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, exceeded the certified budget amount in the instruction, support services and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa Before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- IV-B-06 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- IV-F-06 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2006

- IV-H-06 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.